

**AT&S**  
**First choice for advanced applications**

**Conference Call — Q1-3 2019/20**  
**February 04, 2020**

**AT&S**

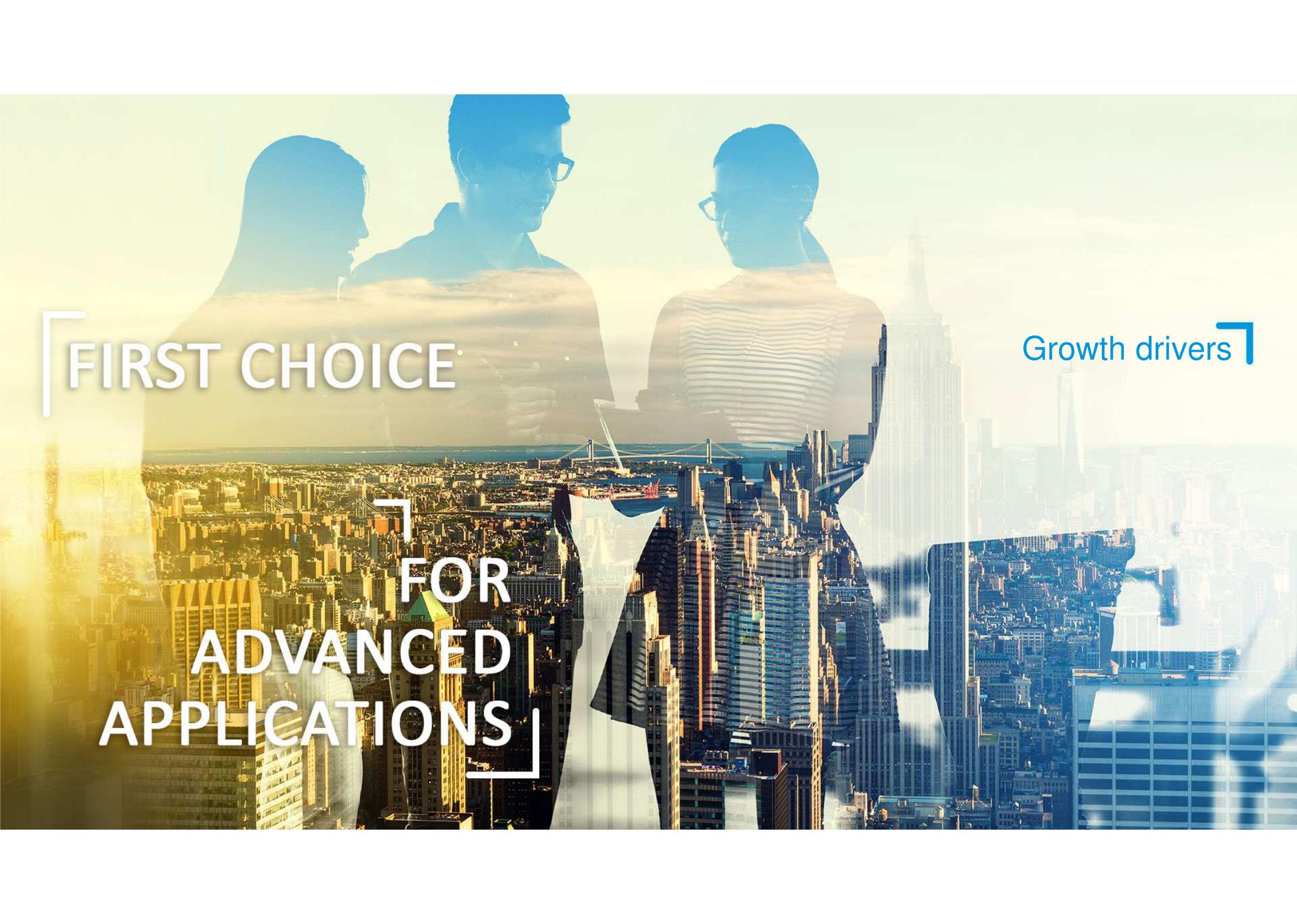
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# Outlook for financial year 2019/20 adjusted

## AT&S production sites in China affected by coronavirus

- Plants in Shanghai and Chongqing II will start production in the week of 10 February 2020 after extended New Year's holidays
- Chongqing I resumed production at reduced capacity after the New Year's celebrations as planned
- Following aspects could influence the development in the coming months:
  - Deterioration of the current general conditions
  - Provision of production materials and personnel
  - Processes in supply chain and demand situation
- Revenue to amount to € 960 million (previously: at the prior-year level of € 1,028.0 million)
- EBITDA margin of 18 to 20 % expected (previously: between 20% and 25%)



FIRST CHOICE

Growth drivers

FOR  
ADVANCED  
APPLICATIONS

# Growth opportunities in all segments

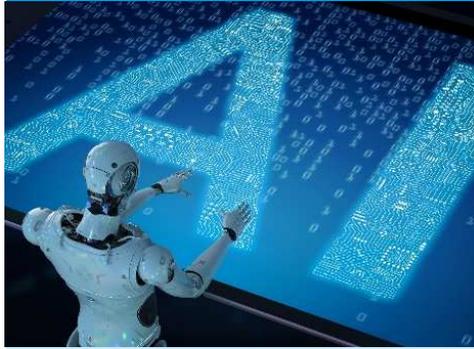
Future trends still intact

## Communication



- Increased digital networking (IoT)
- Additional functionality
  - 5G
  - Artificial Intelligence

## Consumer / Computer



- New applications (smartwatch, speakers, robots, VR, ...)
- Edge & cloud computing
- Networking
- Big data / data server

## Automotive



- Autonomous driving
  - RADAR, LiDAR, camera
  - 5G
  - Artificial Intelligence
- Electrification of the drive
- Increasing electronics share per vehicle

## Industrial / Medical

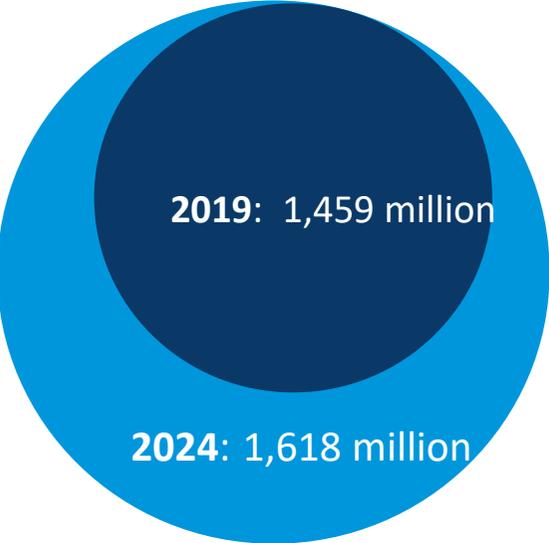


- Automation
  - Machine-to-machine communication (5G)
  - Artificial Intelligence
- Mobile therapy and diagnostic devices

# 5G – the new standard for connectivity

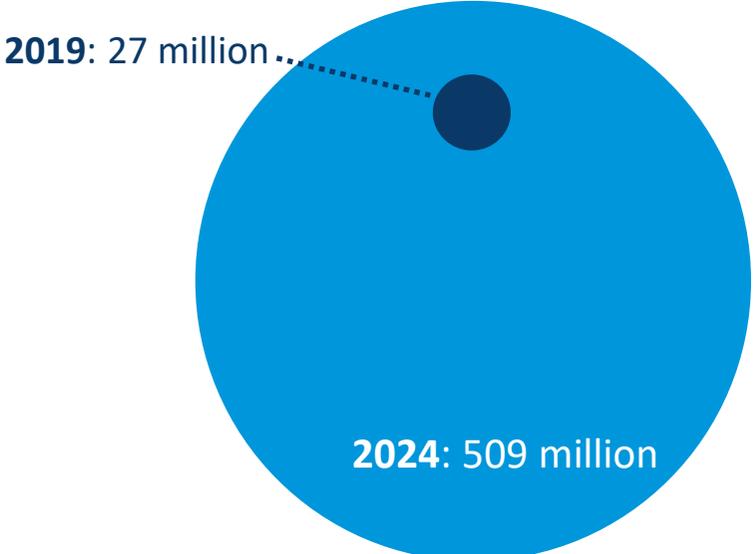
## Smartphone growth opportunities

Total smartphones [units]



CAGR: 2.09%

5G smartphones [units]



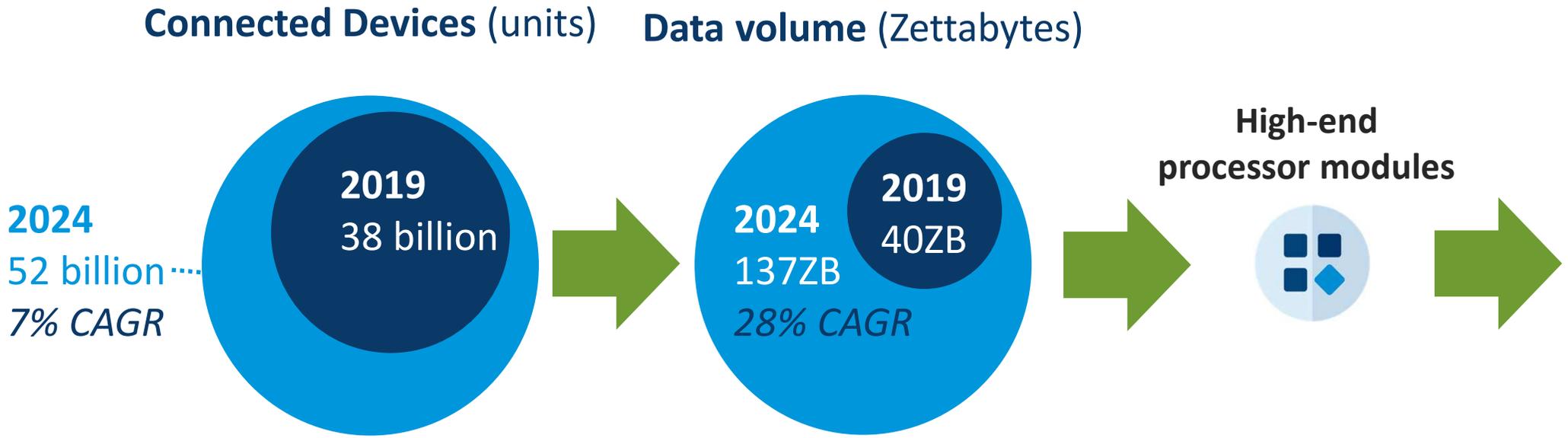
CAGR: 80%

- 5G drives strong growth of next generation smartphones
- 5G will reach 30% of total market by 2024
- 5G smartphones require high-end technologies like offered by AT&S
- Projects with leading OEMs ramping in 2020

Source: Yole (2019)

# Big Data – additional growth opportunities ahead

Data volume growth drives the need for high-end processor modules

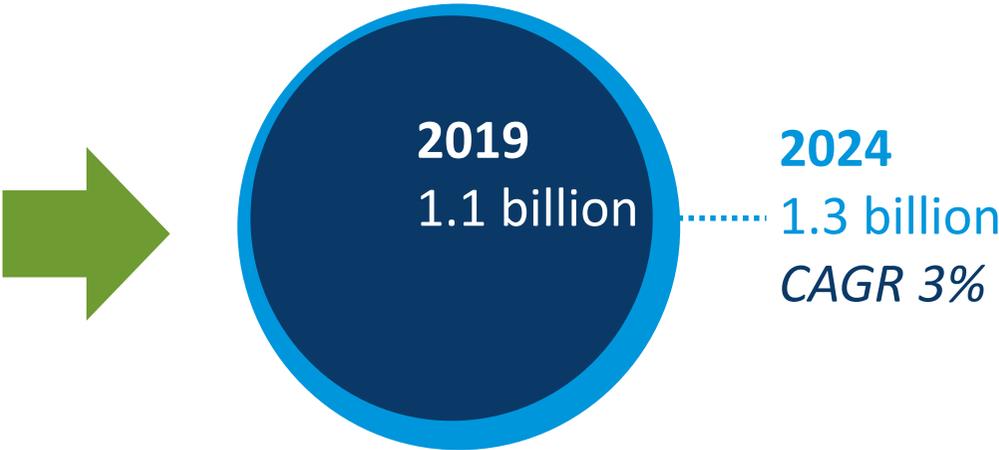


Source: Prismark (2019), Yole (2019)

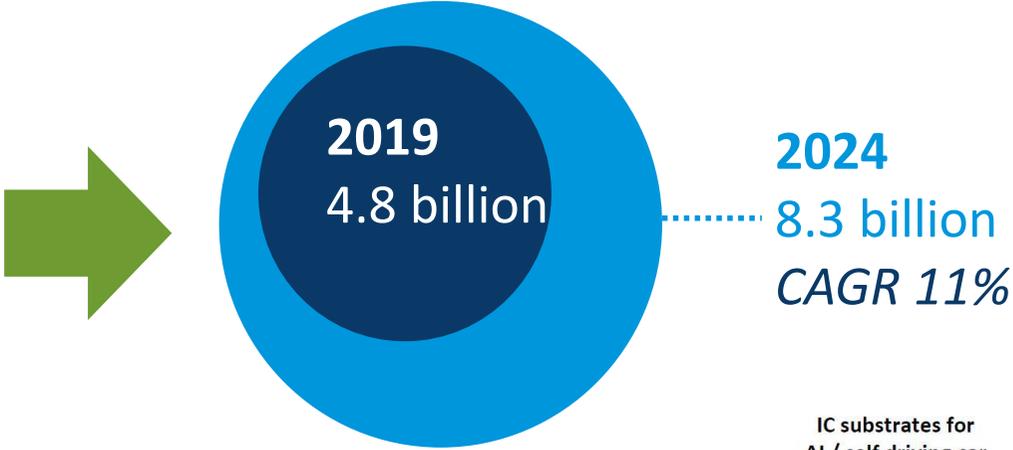
# Big Data – additional growth opportunities ahead

High-end IC substrates with strong growth – driven by AI and memory integration

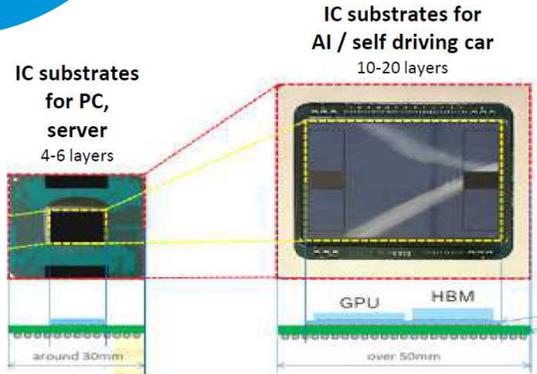
## High-end processor modules (units)



## High-end IC substrates (US\$)



- More powerful processors modules require larger form factor, higher layer count and thus higher value IC substrates
- Embedding of components further increases AT&S value add

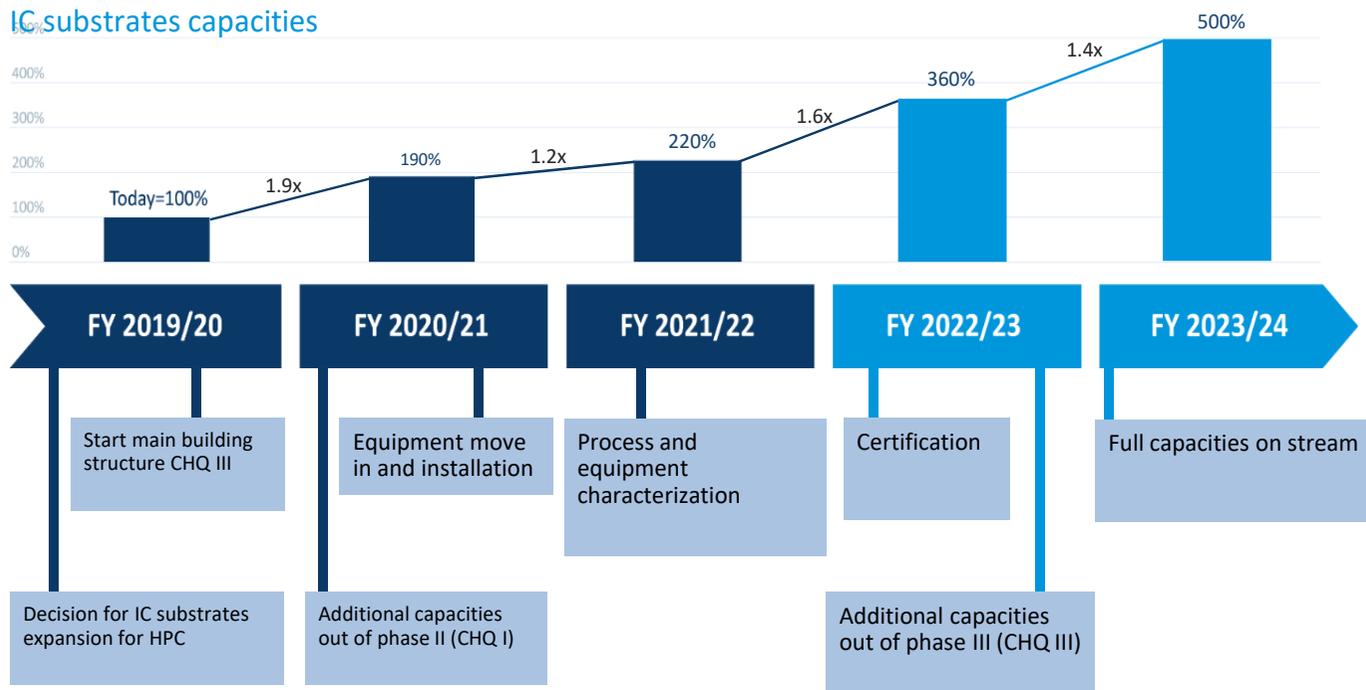


Source: Prismark (2019), Yole (2019)

# IC substrates business in Chongqing

Investment backed by sufficient demand for high-end IC substrates

IC substrates capacities



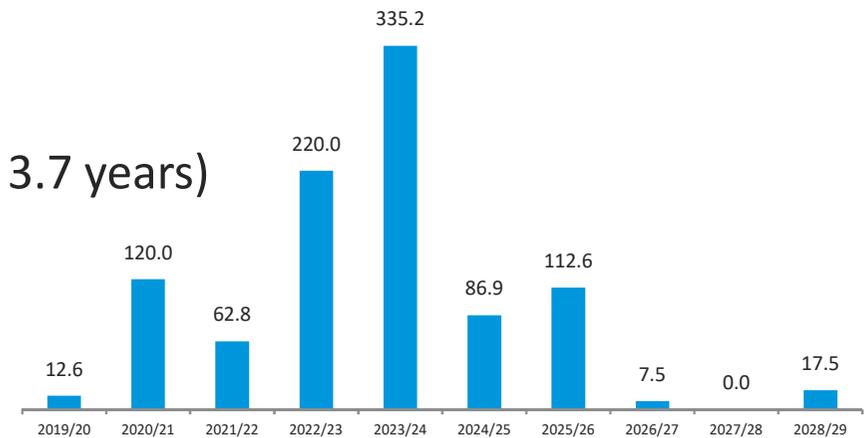
- Strategic focus on business with IC substrates for high-performance computing modules
- Significant new capacities and revenues out of phase II (CHQ I) in 2020/21
- Phase II finished in 2021/22
- New investment (phase III) brings next big capacity increase in 2022/23
- All AT&S IC substrates capacities fully on stream from 2023/24 onwards

# Significant financing capabilities

## Solid finance structure

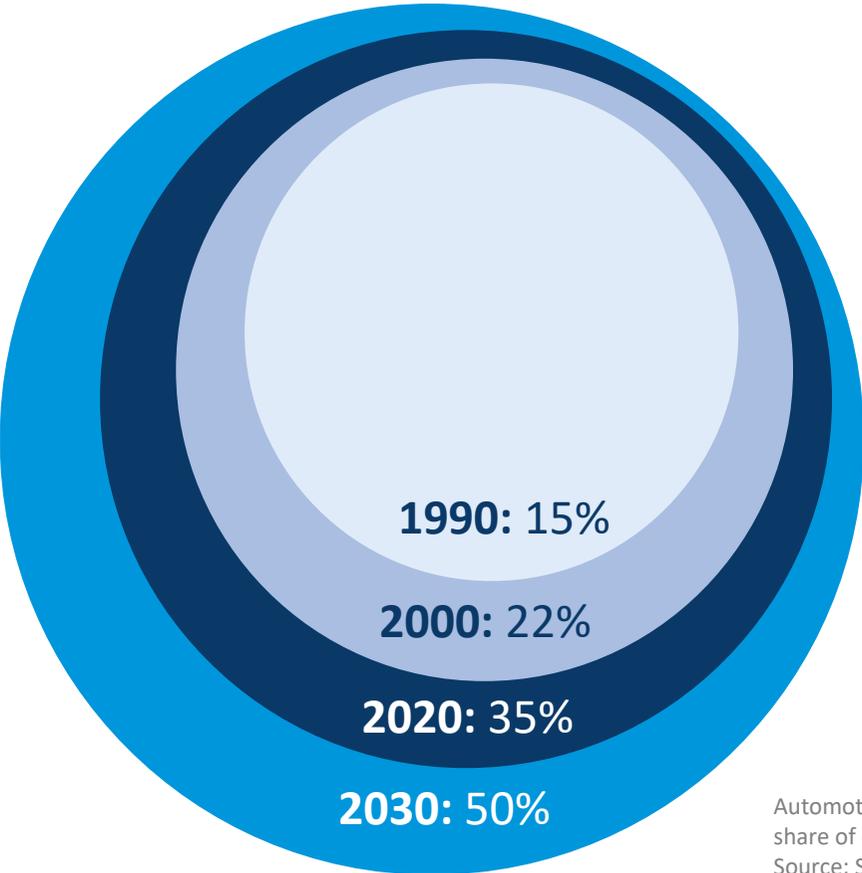
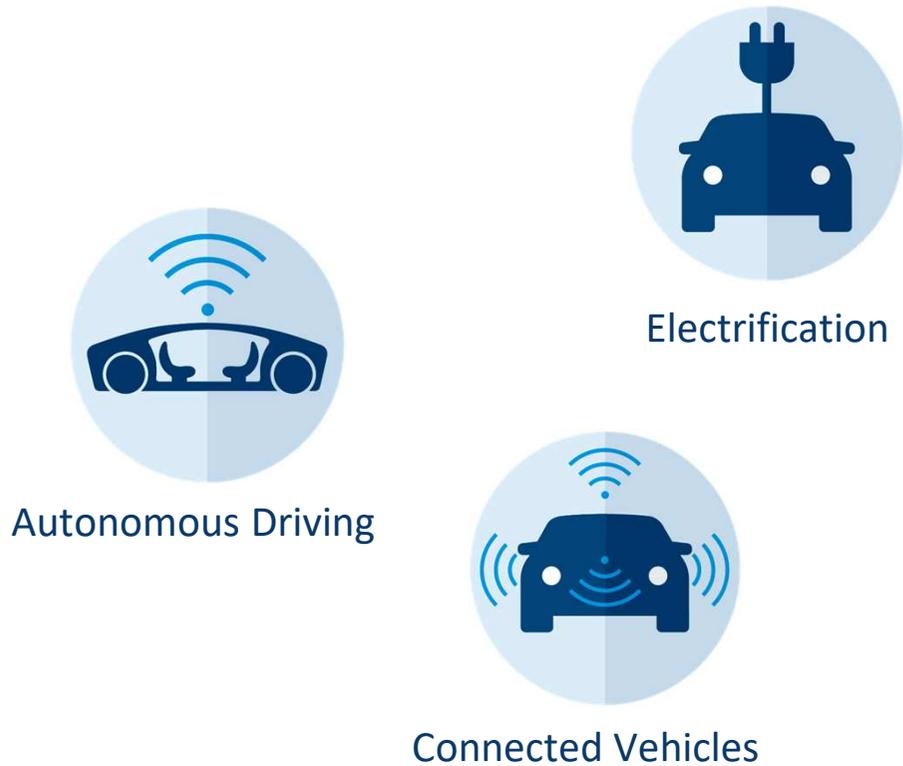
- Solidly funded until the ramp of the new IC substrates facility
- Strong operating cash flows
  - Continuous strengthening of internal financing capabilities
  - Cashflow generation will clearly increase and help to meet repayments (according to mid-tem guidance)
- High level of existing liquid funds
  - Cash and cash equivalents amounted to € 432.7 million
  - Financial assets of € 191.9 million (mostly in time deposits)
  - Additional unused credit lines of € 236.5 million
- Average debt portfolio duration: 3.0 years (31/03/2019: 3.7 years)
- Average financing costs: 1.5% (31/03/2019: 1.8%)

Repayment structure



# Automotive – change in mobility as a chance for AT&S

Automotive electronics content per vehicle significantly increases

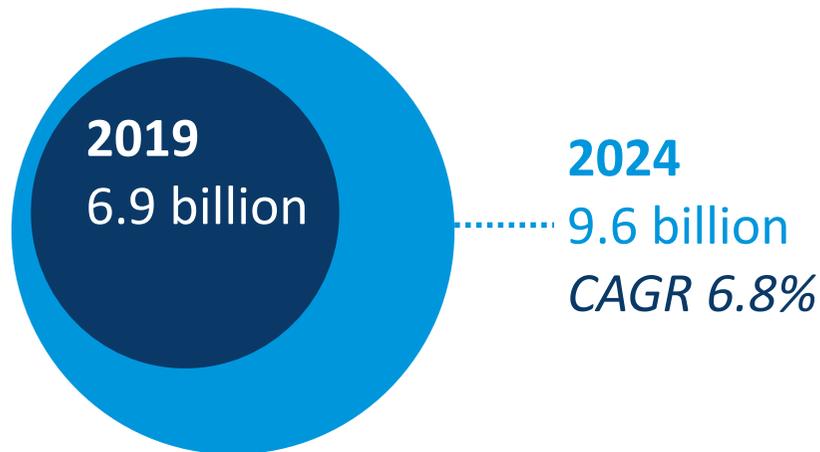


Automotive electronics cost as a share of car cost (bill of materials)  
Source: Statista, Deloitte (2019)

# Automotive PCB, substrate and module opportunities

Autonomous driving, connectivity and electrification are drivers for AT&S

## Automotive PCB market (US\$)



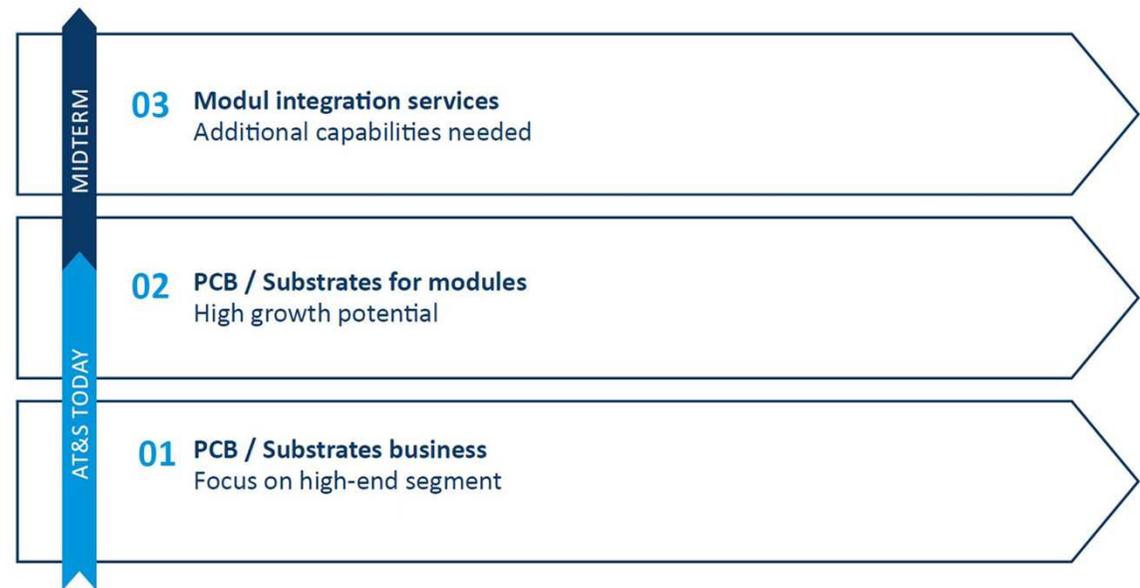
- Vehicle sales expected to return to solid growth
- Electronic content drives growth in the high-end PCB business
- Further market potential for IC substrates and modules

Source: Prismark (2020)

# Investment in module business

## New business opportunities to support customer and application diversification

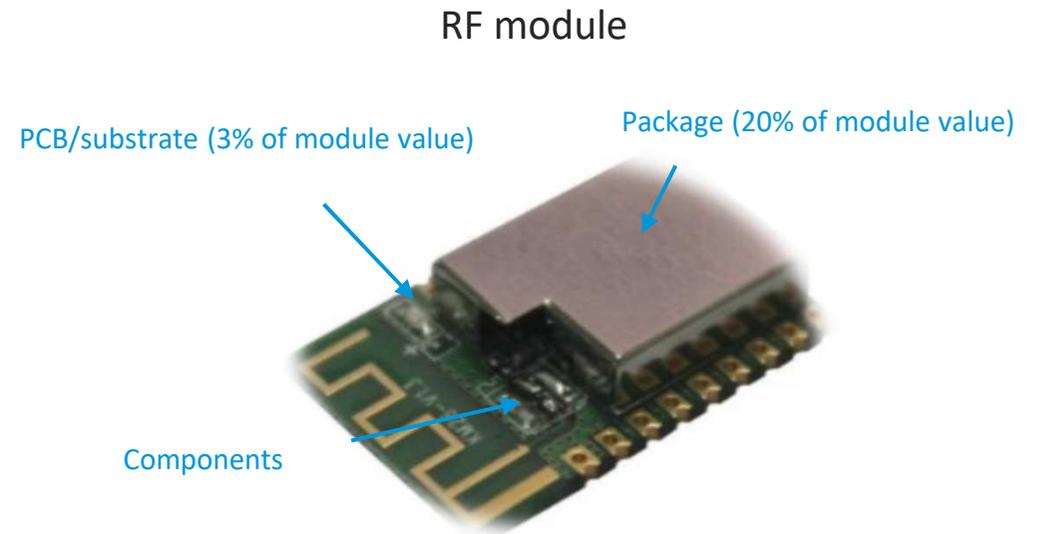
- Trends in the electronics industry enable further profitable growth in the high-end printed circuit board and substrate business
- Production of PCBs for modules (approx. 3% of module value)
- Module integration: increase in added value through additional design, assembly and test services (approx. 20% of module values)
- Module integration market to grow by 12% per year until 2024



# Investment in module business

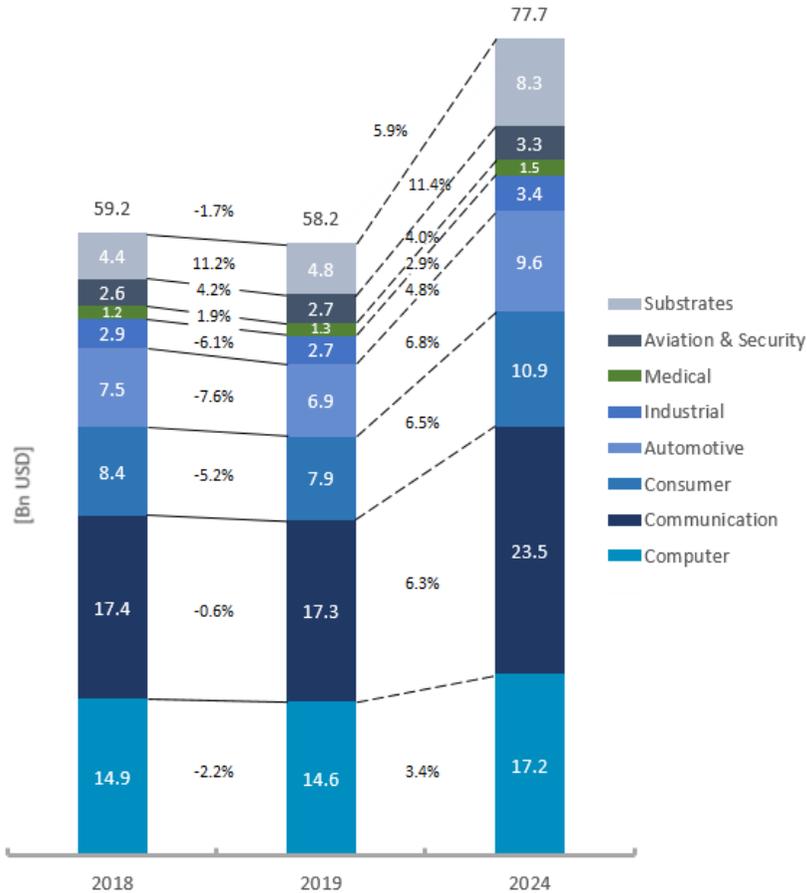
## Chongqing II the AT&S competence center for module business

- Revenues for module PCB/substrates expected to reach ~5 – 10% within the next two years
- Total investment Chongqing II in module business of about € 160 million over the 2 – 3 years
  - Thereof € 30 million in 2019/20
- Main applications include PCBs for RF/5G modules, camera modules and wearables



# PCB & IC substrates market – Overview

Forecast for the total PCB & IC substrates market until 2024: CAGR of 5.9%

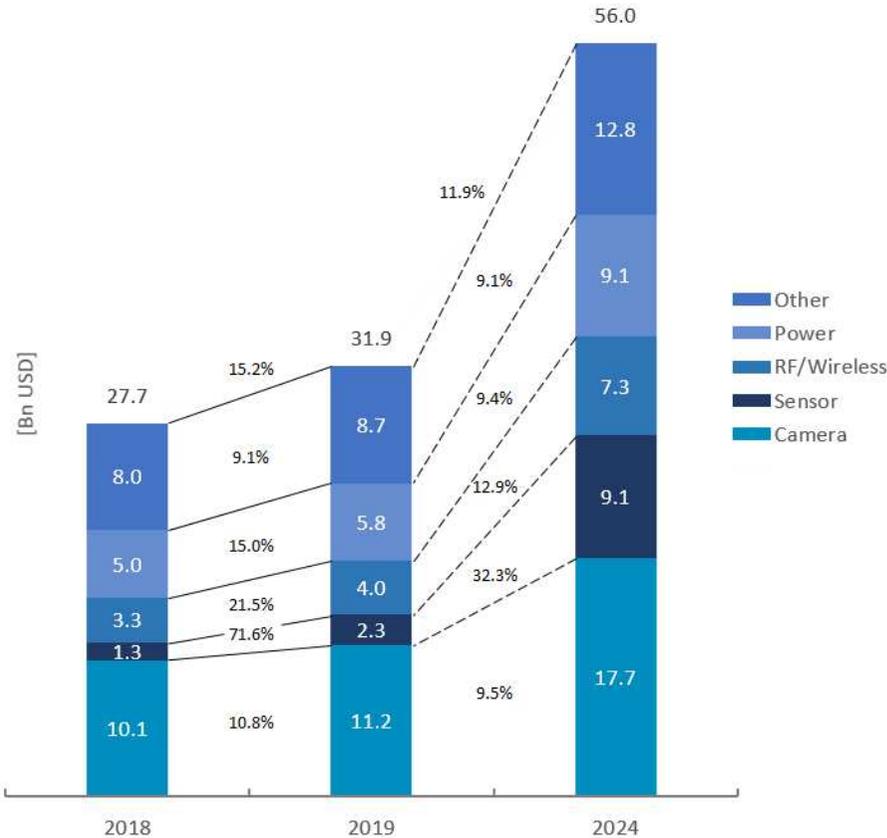


Source: Prismark, January 2020; Yole (for IC Substrates), May 2019

- Data center expansions, networking and AI processors trigger additional demand for high-value **IC substrates**
- Despite a temporary slowdown, **automotive** business is driven by autonomous driving, V2X communication and electrification of vehicles
- **Consumer:** Wireless connectivity of smart devices enabling IoT drives the need for high-end PCBs and substrates for module applications
- Despite a flat development in 2019 **smartphone** unit sales, high-end PCB demand for mainboards and modules will grow due to additional functionalities
- Short term market decline in 2019 is driven by macro-economic conditions. Mid-term the growth will resume driven by application trends.

# Module integration services market

Total market growth is forecast at ~12% p.a. between 2019 and 2024



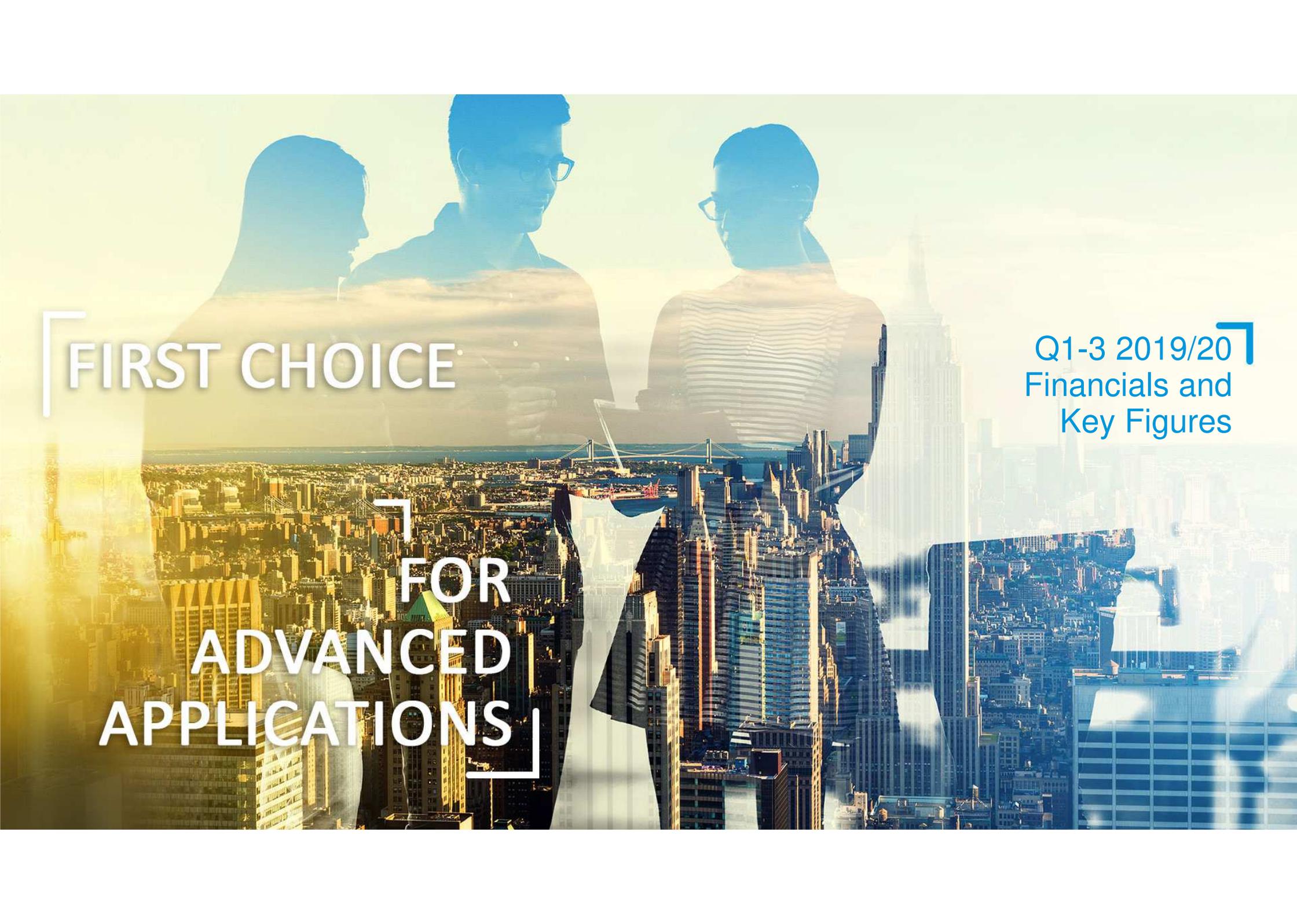
Source: A.T. Kearney (8/2018), AT&S (9/2019)

## Overview

- Major driver is the general modularization trend to reduce time to market, size and cost for electronic products
- AI and 5G requirements further drive module integration
- Market revenue includes services for PCB/substrate, module assembly and test

## Strategic applications

- Power
  - Power modules include both low voltage power management for consumer devices as well as power inverters for data centers, industrial machinery and electrified vehicles
- RF/Wireless
  - 5G communication modules for smartphones, consumer devices, automotive, and machine-to-machine communication provide growth opportunities by integration of RF functions
- Sensor and camera
  - Sensor and camera modules provide strong growth opportunities



FIRST CHOICE

FOR  
ADVANCED  
APPLICATIONS

Q1-3 2019/20  
Financials and  
Key Figures

# Highlights in Q1-3 2019/20

## Market drivers remain in place

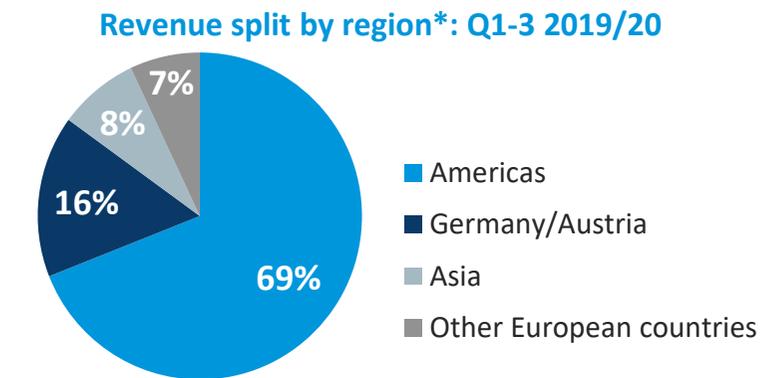
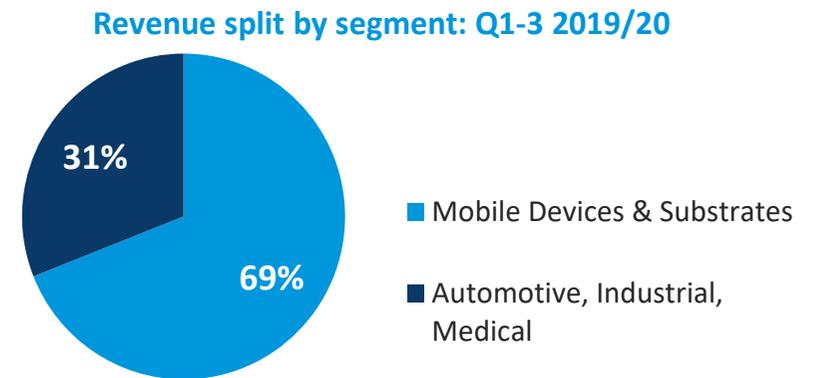
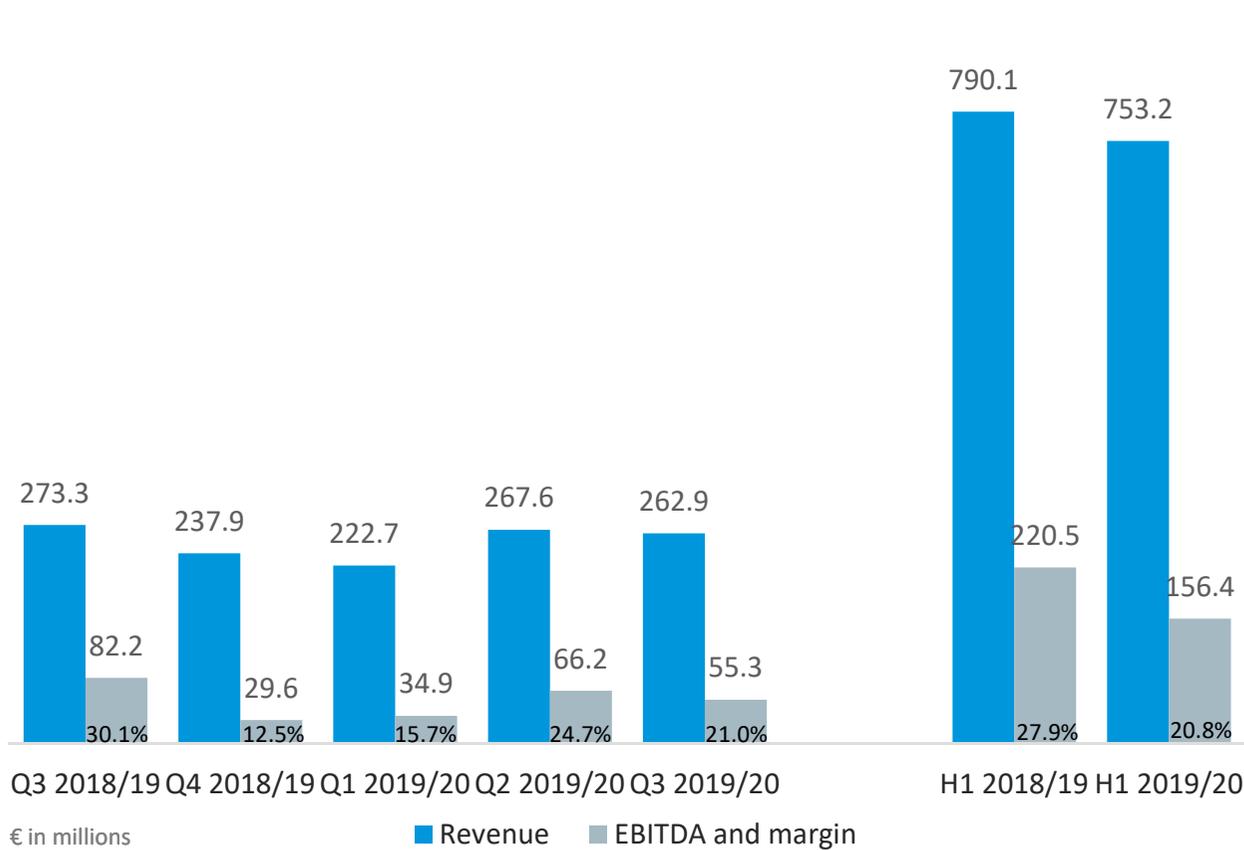
- Current global market environment still challenging
  - Global trade frictions have eased, but are still creating some uncertainties in the market
  - Weakness in automotive market is mainly created by uncertainties about the future of the powertrain
  - General weak economic environment weighs on European industrial investment behaviour
- Macroeconomic environment impacts revenue and earnings
  - Positive trend at IC substrates nearly compensates for lower volume and unfavourable product mix in Mobile Devices
  - Weaker market environment in the Industrial and Automotive segment causes temporary higher price pressure
  - Automotive segment with stable performance despite difficult market situation
  - Reduced volume in the Industrial segment
  - Medical & Healthcare with robust trend

# Financials in Q1-3 2019/20

## AT&S held up well in a challenging environment

- Revenue at € 753.2 million (PY: € 790.1 million)
  - Positively impacted by FX effects
- EBITDA at € 156.4 million (PY: € 220.5 million)
  - Ongoing preparations for future applications demand higher R&D expenses (e.g. run-up costs for modularization and miniaturization)
  - EBITDA margin with 20.8% (PY: 27.9%) still within target margin range of 20 – 25%
- EBIT at € 47.7 million (PY: € 121.5 million)
  - Deviation from EBITDA development explained by higher depreciation
- Operating free cash flow at € 31.2 million (PY: € 90.0 million)
  - Higher capex due to IC substrates investment

# Revenue and EBITDA development



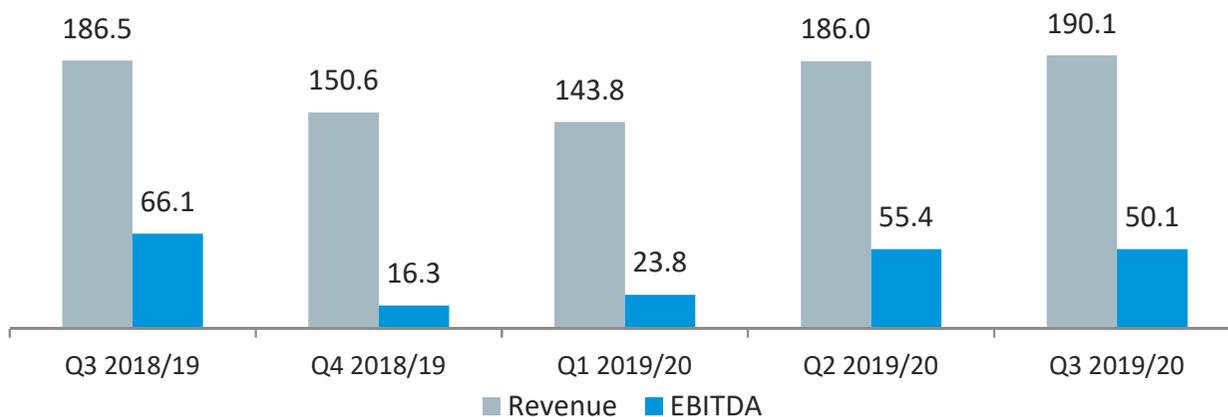
\*based on customer's headquarters

# Business Development – Mobile Devices & Substrates

€ in millions (unless otherwise indicated)	Q1-3 2018/19	Q1-3 2019/20	Change in %
Revenue	601.5	590.4	-1.9%
Revenue with external customers	533.2	519.8	-2.5%
EBITDA	177.2	129.2	-27.1%
EBITDA margin	29.5%	21.9%	

- IC substrate continued to show strong demand
- Revenue and earnings positively impacted by FX effects
- Unfavourable product mix in Mobile Devices
- Market-related volume reduction causes underutilization in Mobile Devices

## Revenue\* and EBITDA



€ in millions; \* Revenue with external customers

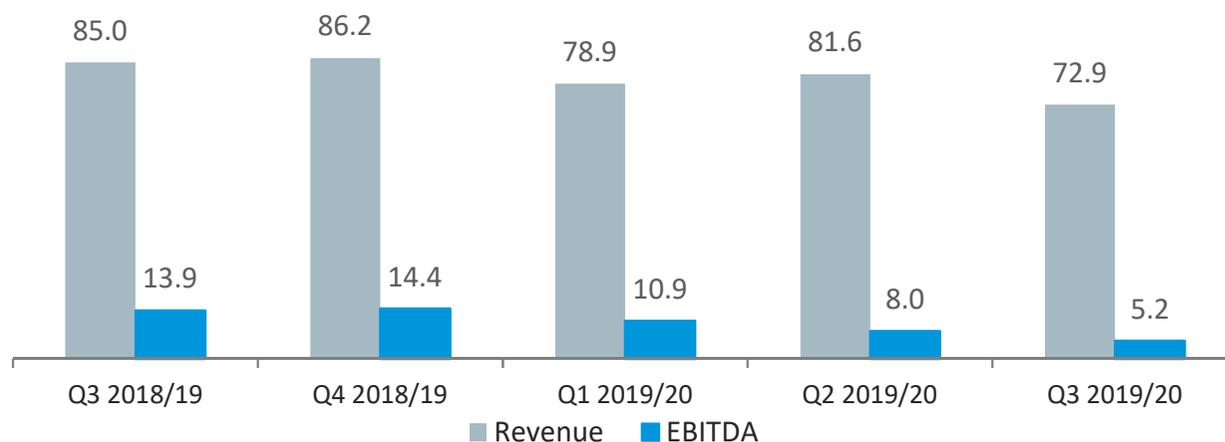
# Business Development – Automotive, Industrial, Medical



€ in millions (unless otherwise indicated)	Q1-3 2018/19	Q1-3 2019/20	Change in %
Revenue	270.6	259.3	-4.2%
Revenue with external customers	252.7	233.4	-7.6%
EBITDA	38.3	24.1	-37.0%
EBITDA margin	14.1%	9.3%	

- Medical & Healthcare with robust trend
- Automotive segment with stable performance despite difficult market situation
- Reduced volume in the Industrial segment
- Weaker market environment in the Automotive and Industrial segments causes temporary higher price pressure and underutilization

## Revenue\* and EBITDA



€ in millions; \* Revenue with external customers

# Financials Q1-3 2019/20

## STATEMENT OF PROFIT OR LOSS

€ in thousands	Q1-3 2018/19	Q1-3 2019/20	Change YoY	
Revenue	790,114	753,234	(4.7%)	➔ Impacted by unfavourable product mix, lower volume and positive FX effects
EBITDA	220,475	156,392	(29.1%)	➔ Unfavourable product mix and underutilization in Mobile Devices, Automotive and Industrial as well as higher R&D costs for future applications
EBITDA margin	27.9%	20.8%	(7.1%)	
EBIT	121,528	47,692	(60.8%)	➔ Higher depreciation due to growing fixed asset base and first-time application of IFRS 16
EBIT margin	15,4	6,3	(9.1%)	
Finance costs – net	-2,583	-3,298	(27.7%)	➔ Mainly driven by FX effects
Profit for the period	92,256	25,202	(72.7%)	
Earnings per share	2.21	0.49	(78.0%)	

# Financials Q1-3 2019/20



## STATEMENT OF FINANCIAL POSITION

€ in thousands	31 Mar 2019	31 Dec 2019	Change	
Equity	803,451	752,630	(6.3%)	➔ Negative FX effects, dividend and hybrid coupon payout
Total assets	1,784,106	1,902,873	6.7%	
Net debt	150,258	185,791	23.6%	➔ Higher capex, impact of IFRS 16
Net working capital	160,537	117,333	(26.9%)	➔ Impact of factoring activities
Equity ratio	45.0%	39.6%	(5.4pp)	➔ Effect out of lower equity and higher total assets

# Financials Q1-3 2019/20

## STATEMENT OF CASH FLOWS

€ in thousands

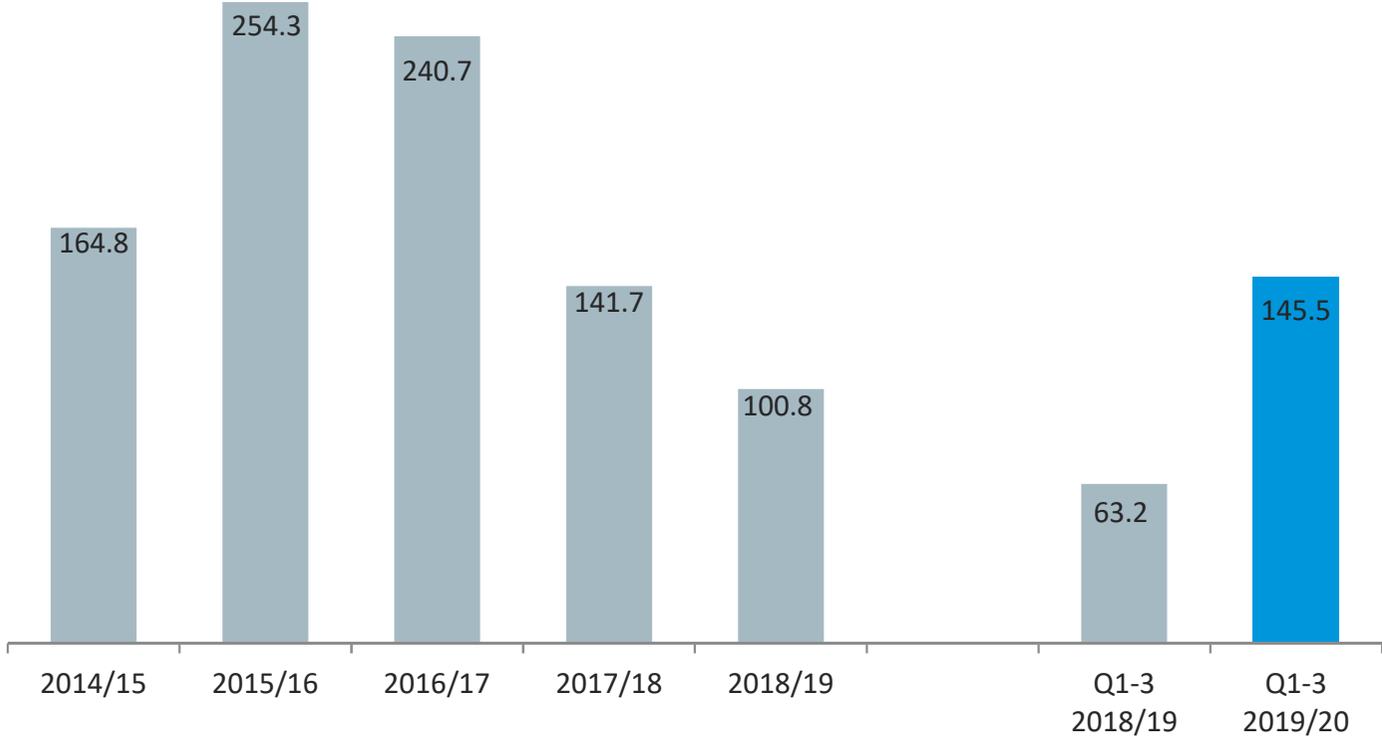
	Q1-3 2018/19	Q1-3 2019/20	Change YoY		
Cash flow from operating activities	153,210	176,665	15.3%	➔	Mainly driven by higher trade payables, lower trade receivables as well as income taxes paid
Cash flow from investing activities	(255,694)	(99,805)	61.0%	➔	Higher net capex but lower temporary net investment in financial assets
Cash flow from financing activities	200,984	30,473	(84.8%)	➔	Previous year period impacted by issuance of promissory note
Change in cash and cash equivalents	98,500	107,333	9.0%		
Operating free cash flow <sup>1)</sup>	89,966	31,190	(65.3%)	➔	Higher net capex mainly due to IC substrates investment
Free cash flow <sup>2)</sup>	(102,484)	76,860	>100%		

<sup>1)</sup> Cash flow from operating activities minus Net CAPEX

<sup>2)</sup> Cash flow from operating activities minus cash flow from investing activities

# Net CAPEX

IC substrates investment and technology upgrades main driver



€ in millions

# CAPEX outlook for 2019/20

## Investment (CAPEX) activity in the current year

- Maintenance investments and technology upgrades in the amount of € 80 to 100 million
- Capacity and technology expansions of around € 40 million (before: € 100 million)
  - Mainly for module business in CHQ2 (start of phase II)
- Investments in IC substrates of up to € 130 million (before: up to € 180 million) due to timing variances for payments
- Total Group CAPEX will amount up to € 270 million (before: up to € 340 million)

# Medium-term guidance confirmed

## Strong focus on high-end applications

- Medium-term guidance continues to apply
  - Full expansion of the plants in Chongqing
  - Stable development of base business
- Group revenue to double to € 2 billion (CAGR of roughly 15%)
- EBITDA margin of 25% to 30%
- ROCE target above 12%



**Thank you  
for your attention!**

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